Nangarhar University Social Science Journal

NUSSJ

e-ISSN: 3079-2398 (Online) p-ISSN: 3079-238X (Print)

Vol:1(01), Nov: 2024

Journal Homepage: https://nussj.nu.edu.af

Research Article

Islamic Banking Deposits and Finance Products in Afghanistan

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ABSTRACT

Islamic banking is one of those institutions that act on the basis of the commitment to the provisions and fundamental principles of Islamic Shari'ah on money and aim to grow the economy and reduce interest (Riba) to be clean from the great sin and to build a healthy society. In Islamic banking, every person has two choices before handing over his trust money to the bank: The first option: If his purpose is not to invest, but only to protect his capital or assets, he can open a current account. Bank can invest or capitalize it in the field of its choice. The second option: But if his purpose is to invest and get benefits, in this case, through the contract of partnership or Mudaraba. The client must enter a contract with the bank, accept the risk of his investment and be recognized as entitled to receive the expected benefits according to the agreed ratio. All the banks in Afghanistan will be completely equipped with the Islamic and Shariah system soon. Therefore, in my thesis, I have included the interviews of officials of Islamic banks. In the end, results, suggestions, and sources have concluded.

ARTICLE INFO

Keywords

Musharaka, Mudaraba, Diminishing Musharaka, Ijara and Sukuk.

Article History

Received: 19-10-2024

Accepted: 16-11-2024

Published: 17-11-2024

Cite this Article

Aman, N. (2024). Islamic Banking Deposits and Finance Products in Afghanistan. *Nangarhar University Social Science Journal, 1(01),28–31.* https://doi.org/10.70436/nussj.v1i01.8

Introduction

Humans earn sustenance through business (trade, agriculture, and industry). In addition to other obligatory provisions of the Islamic Sharia, it is mandatory to learn business so that people know what is halal and haram in their daily affairs, because eating what is forbidden is not permissible. Not only does it have dangerous consequences, but it also affects other acts of worship and even children.

In the current era, the Islamic Ummah is facing major problems, one of these problems is the scourge of unbelief democracy. (Unfairness and forbidden trade) everything is halal and in this age this system has been imposed in many countries of Islamic Ummah by greedy officials, Fortunately, in recent years, a number of hard-working scholars and jurists of the Islamic world have established the Islamic banking system based on their hard work, which today is successfully running not only in Islamic countries but also in non-Islamic countries. The invention of Islamic banking has led to this, on the one hand, to save Muslims from interest and on the other hand, to get a certain amount of profit without interest, Fortunately, an Islamic bank has been established in Afghanistan and is trying to find a way in the light of Islamic Sharia that banks can use it without interest and its benefits are better than interest-bearing banks, Therefore, I wanted to do research on (Islamic banking deposits and finance products in Afghanistan) so that our countrymen can open such banks in accordance with Islamic Sharia, such as those that have been opened in a number of countries and have had good results.

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https://doi.org/10.70436/nussj.v1i01.8

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Literature Review

One cannot separate literature from research (Askarzada, 2018) in article of Islamic bank VS Conventional banking in Afghanistan he investigated Islamic banking activities, conventional banking activities, Islamic banking effects on commercial banking, customers 'satisfaction and their awareness about the banking activities, (Disli & et al, 2023) in article Faithful Finance: Unlocking Banking Islamization in Afghanistan reveal findings that the challenges in promoting Islamic banking in Afghanistan are more complex and multi-layered than commonly understood, stemming from the legal system, regulatory capacities and mindset, banking services, and public perception. The paper emphasizes the importance of addressing these challenges comprehensively to safeguard the already fragile economic and financial sector. (Safi et al, 2020) conducted a study in Kabul to investigate customer satisfaction with Islamic banking products. The research revealed that the primary reasons for selecting Islamic banking services and products were religious beliefs, followed by factors such as confidence and reputation. Interest-free banking, compliance with Shari'ah Law, and the contribution of banks to social welfare projects were also identified as important features. It must be noted that Safi et al. (2020) does not delve into the challenges experienced by Islamic banking or the banking sector as a whole; instead, their focus is primarily on evaluating the satisfaction levels of current customers.

The BMA and Afghan United Bank (AUB) introduced Islamic banking and finance products as Islamic banking windows in 2008. Subsequently, Maiwand Bank, Ghazanfar Bank, and Kabul Bank obtained their licenses in 2009, while Afghanistan International Bank (AIB) established its Islamic banking window in 2014. Notably, the establishment of the Islamic Bank of Afghanistan (IBA) in 2018 marked a significant milestone as the first Economies 2023, fully operational Islamic bank in the country. It is vital to note that the country, despite a boom in economy since 2001 and public demand for Islamic banking and finance, has been able to establish only one fully-fledged Islamic bank and six Islamic windows (Rostan et al. 2021).

A research gap that this paper intends to fill is the fact that the literature has focused on Establishment of Islamic banking window, Customer satisfaction and its challenges. Thus, this paper focuses on description of Deposits and finance product types and its ratio of service for every Islamic bank in Afghanistan of overall Islamic banking services.

This paper is subject to limitations as it does not provide an in-depth analysis of the IT infrastructure and other associated technological requirements essential for the efficient operation of a financial system.

Research Questions

To accomplish the goal of the study, the survey intended to answer the following research questions:

1. What kinds of deposits exist in Afghanistan Islamic banking?
2. What kinds of financing products exist in Afghanistan Islamic banking?
3. What are other service provided by Afghanistan Islamic banking?

Materials and Methods

Pedagogical Setting & Participants

The study was conducted in Afghanistan governmental and non governmental banks that have Islamic windows and total 8 islamic banks reports are taken and interpreted

Design of the Study

Participants were selected through purposive method and it is descripted research.

Data collection & analysis

We have collected data for this research through primary and secondary method and we have interviewed bank manager of Islamic window and taken financial report of Islamic window for the year of 2023 and we analysed with excel program.

Results and Discussion

Table 1. Islamic Banking Deposits and Financing products in Afghanistan

No	Banks Products	BMA	Ghazanfar	Maiwand	AUB	IBA	AIB
1	Murabaha	✓	✓	✓	✓	✓	✓
2	Musharaka		✓	✓		✓	
3	Diminishing Musharaka	✓				✓	✓
4	Mudaraba	✓	✓	✓	✓	✓	
5	**Ijara**					✓	✓

6	**Salam**					✓	
7	**Istisna**					✓	
8	**Sukuk**		✓			✓	

As can be seen in Table 1, the above table shows that all Islamic banking are using Murabaha, many of them are using Musharaka and Mudaraba and some of them using Ijara and Sukuk but Afghanistan Islamic Bank use all of them.

New Kabul Bank and Bank of Alfalah are not using either of product since they Established their Islamic bank window, they haven't use any of Islamic Product for depositing and Financing.

Table 2: 2023 Financial Statement of Islamic Banking of Islamic Products

Bank	Financing in Thousand	Financing%	Deposits Thousand	Deposits%
Maiwand	1,316,158	32.49	1,492,850	13.74
BMA	1,680,244	41.48	603,344	5.55
Ghazanfar	632,071	15.61	3,811,648	35.07
IBA	421,964	10.42	4,960,152	45.64
Total	4,050,437	100%	10,867,994	100%

Table 2 shows that most Islamic financing activities done by BMA and most deposits are kept by Afghanistan Islamic Bank in 2023.

Discussion

In Afghanistan all Islamic banking are using murabaha product and some of them are using musharaka and mudaraba but Afghanistan Islamic Bank are using all Islamic products.

Year 2023 financial report shows that most financing activities of Islamic banking done by BMA which is about 41% of all Islamic banking and most deposits kept by Afghanistan Islamic Bank which is about 45% of all Islamic banking.

This study contributes for its description of all types of products for Islamic Banking and ratio of using its products for the year of 2023.

Conclusion

This study was about all Islamic banking product usage in Afghanistan we have taken 8 banks financial report and analyzed in Excel program that shows the percent of banking using Islamic product financing and deposits.

Suggestions

1. Da Afghanistan Bank and all other commercial bank should translate their contracts, policies and strategies in national languages and publish in their websites.
2. All commercial banks should hire knowledgeable and experience people as manager or employee for Islamic window activities to convince and understand more in dept clients.
3. All commercial banks, Da Afghanistan bank and other company should have together lunch a secondary market for shares and Sukuk buying and selling.

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Biodata

Mr. Aman works as a lecturer and Dean of the BBA Faculty at Alfalah University; he has contributed to curriculum development, student mentorship, and the academic growth of the business administration department. With two years of experience, he focuses on enhancing educational standards and fostering dynamic learning.